

Message Text

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PAGE 01 EC BRU 03908 201730Z
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SUBJECT: APRIL 18 EC FINANCE COUNCIL

REF: A) EC BRUSSELS 3872, B) EC BRUSSELS 3511

1. SUMMARY: THE EC FINANCE COUNCIL, MEETING IN LUXEMBOURG APRIL 18, ADOPTED THE CONCLUSIONS OF THE MONETARY COMMITTEE ON IMF ISSUES (REF A), APPROVED 1977 ECONOMIC POLICY GUIDELINES FOR ITALY, AND AUTHORIZED THE COMMISSION TO NEGOTIATE THE \$500 MILLION COMMUNITY BORROWING ON BEHALF OF ITALY. THE MINISTERS ALSO HEARD A REPORT ON NORTH-SOUTH ISSUES, BRIEFLY REVIEWED THE AGENDA FOR THE DOWNING STREET SUMMIT, AND REVIEWED PREPARATIONS FOR THE NEXT TRI-PARTITE CONFERENCE. END SUMMARY

2. THE EC FINANCE MINISTERS HELD A SHORT MEETING IN LUXEMBOURG APRIL 18. THE COUNCIL HEARD AN ORAL REPORT FROM MONETARY COMMITTEE PRESIDENT POEHL ON IMF MATTERS. AFTER A MINIMALL AMOUNT OF DISCUSSION, THE COUNCIL ACCEPTED THIS REPORT, WHICH ESSENTIALLY CONVEYED THE SUBSTANCE OF REF A, AS A BASIS FOR A COMMON COMMUNITY POSITION.

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PAGE 02 EC BRU 03908 201730Z

THE COUNCIL ALSO APPROVED A DRAFT STATEMENT TO BE DELIVERED BY HEALEY AT THE WASHINGTON MEETING OF THE IMF INTERIM COMMITTEE (REF A).

3. ALTHOUGH THE MINISTERS WERE ABLE TO FIND SUFFICIENT COMMON GROUND FOR THESE PURPOSES, CERTAIN STRAINS BECAME EVIDENT IN COMMENTS MADE AFTER THE MEETING. HEALEY,

FOR EXAMPLE, COMMENTED TO THE PRESS THAT IF IT WERE NOT FOR TWO COUNTRIES (PRESUMABLY THE FRG AND THE NETHERLANDS) THE EC WOULD FAVOR A "SUBSTANTIAL" (MEANING ABOUT 50 PER-CENT) NEW INCREASE IN IMF QUOTAS, WHICH SHOULD COME INTO FORCE IN 1978 (WITH THE PENDING QUOTA INCREASE ALREADY AGREE TO TAKE EFFECT LATE IN 1977). HEALEY SAID THAT COUNTRIES SHOULD ACCEPT PROPORTIONAL INCREASES, LEAVING SHARES UNCHANGED, TO AVOID DELAYS THAT WOULD BE INVOLVED IN RENEGOTIATING SHARES. UNTIL THE IMPLEMENTATION OF THE NEW QUOTA INCREASE, THE 45 PERCENT (OF QUOTA) SUPPLEMENTARY DRAWING RIGHTS (NOW DUE TO EXPIRE WHEN THE PENDING QUOTA INCREASE TAKES EFFECT) SHOULD REMAIN IN FORCE. DUISENBERG, ON THE OTHER HAND, POINTED OUT THAT BOTH THE FRG AND DUTCH WERE STRONGLY OPPOSED TO ANY QUOTA INCREASE ABOVE 25 PERCENT. HE SAID THAT SHOULD A LARGER INCREASE BE DECIDED UPON, THE NETHERLANDS WOULD INSIST ON A REVISION OF SHARES, SINCE IT FELT ITS SHARE AND VOTING STRENGTH WAS TOO SMALL.

4. THERE WERE NO DISSENTING NOTES ON EC SUPPORT FOR THE PROPOSED SPECIAL IMF FACILITY, ALTHOUGH DUISENBERG EXPRESSED BELIEF THAT RESOURCES COULD NOT BE OBTAINED IN THE AMOUNTS SOUGHT. HEALEY ALSO REFERRED TO THIS POSSIBILITY, NOTING THAT IN THIS CASE THE OECD FSF SHOULD BE ACTIVATED. POEHL, HOWEVER, SAID THE FRG WAS NOT EAGER TO SEE THE FSF ACTIVATED. (HE SUGGESTED TO SOME MEMBERS OF THE PRESS THAT THE FRENCH MIGHT PRESS ON THE FSF IN ORDER TO CREATE PROBLEMS FOR THE U.S.)

5. FOLLOWING A STRONG STATEMENT BY COMMISSION VICE
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PAGE 03 EC BRU 03908 201730Z

PRESIDENT ORTOLI, THE COUNCIL ACCEPTED, WITH LITTLE DISCUSSION, THE RECOMMENDED 1977 ECONOMIC POLICY GUIDELINES FOR ITALY (WHICH ARE PARALLEL TO THE IMF CONDITIONS). THE COUNCIL ALSO RENEWED THE MANDATE GIVEN TO THE COMMISSION TO NEGOTIATE FOR THE \$500 MILLION COMMUNITY BORROWING IN BEHALF OF ITALY. (THE COMMISSION REPORTEDLY HAS THIS ALREADY LINED UP AT A FIXED RATE OF 1/2 PERCENT.) FINAL APPROVAL WILL BE BY A POINT AT AN EARLY COUNCIL MEETING, AND IMPLEMENTATION IS EXPECTED WITHIN TWO WEEKS.

6. THERE WAS A BRIEF REVIEW OF THE AGENDA OF THE DOWNING STREET SUMMIT, BUT NO SUBSTANTIVE DISCUSSION. (DUISENBERG, IN HIS POST-MEETING COMMENTS, STRESSED THE DUTCH VIEW THAT THE COMMUNITY'S MANDATE TO ATTEND WAS NOT LIMITED TO TRADE AND NORTH-SOUTH MATTERS, BUT EXTENDED TO ECONOMIC AND FINANCIAL MATTERS AS WELL.) THE COUNCIL ALSO HEARD A REVIEW OF THE STATUS OF NORTH-SOUTH ISSUES, INCLUDING PARTICULARLY THE UNCTAD COMMON FUND DISCUSSIONS, BUT AGAIN THERE WAS APPARENTLY NO SIGNIFICANT SUBSTANTIVE

DISCUSSION.

7. THE COUNCIL REVIEWED PLANS FOR A TRI-PARTITE CONFERENCE TO BE HELD IN THE LAST TEN DAYS OF JUNE. THE FINANCE COUNCIL ORIGINALLY SCHEDULED FOR MAY 16 WAS POSTPONED TO EARLY JUNE TO REVIEW THE GROUNDWORK FOR THE CONFERENCE. HINTON

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